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AUDITOR-CONTROLLER

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TO: Supervisor Hilda L. Solis, Chair
Supervisor Mark Ridley-Thomas
Supervisor Sheila Kuehl
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: John Naimo
Auditor-Controller

SUBJECT: **COMMUNITY AND SENIOR SERVICES – REVIEWS OF WORKFORCE
INVESTMENT ACT SERVICE PROVIDERS – FISCAL YEAR 2013-14
SUMMARY REPORT**

At the request of Community and Senior Services (CSS), we completed program, fiscal, and administrative contract compliance reviews of all 15 Workforce Investment Act (WIA) Program service providers. The WIA Programs assist individuals in obtaining employment, retaining their jobs, and increasing their earnings.

CSS paid the 15 WIA service providers a total of approximately \$25.2 million on a cost-reimbursement basis for Fiscal Year (FY) 2013-14. Our reviews covered a sample of transactions for each service provider from FYs 2012-13 and 2013-14.

Results of Reviews

We identified \$441,050 in questioned costs billed to the WIA Programs by various service providers. Specifically, we noted:

- \$104,148 in unsupported and/or unallowable FY 2013-14 expenditures.
- \$336,449 in unsupported and/or unallowable FY 2012-13 close-out expenditures.
- \$453 in unsupported and/or unallowable FY 2013-14 payroll expenditures.

In addition, some WIA service providers did not always comply with WIA and County contract requirements. For example, of the 15 service providers:

- Eleven (73%) did not accurately report client program activities into the system that the State of California Employment Development Department and the Department of Labor use to track WIA participant activities, and/or complete the Individual Service Strategy and Individual Employment Plans for WIA Program clients as required.
- Ten (67%) did not maintain adequate internal controls or comply with WIA and County contract requirements, such as resolving outstanding reconciling items in a timely manner and/or maintaining price quotations to support that expenses were economical, proper, and reasonable to carry out the activities of the Program as required.
- Seven (47%) did not maintain adequate documentation to support client eligibility and/or register male clients into selective service within the required timeframe.
- Seven (47%) did not prepare their Cost Allocation Plan in accordance with the County contract requirements and/or provide adequate documentation to support their allocations.
- Six (40%) did not accurately report monthly accruals to CSS as required.
- Two (13%) WIA service provider's audited financial statements disclosed significant cash flow issues or their accounting staff did not have appropriate financial accounting knowledge.
- One (7%) did not obtain the required criminal clearances of staff.

Based on the results of our review, CSS has placed two WIA service providers in the County's Contractor Alert Reporting Database. The questioned costs for each service provider and contract compliance issues noted in our reviews are detailed in the Attachment.

Review of Reports

We discussed each report with CSS and each WIA service provider. CSS management indicated they will resolve the remaining questioned costs and contract compliance issues in accordance with their Resolution Procedures Directive.

Due to the number of reviews, copies of individual reports are not enclosed; however, the reports are available for your review upon request. If you have any questions please call me, or your staff may contact Don Chadwick at (213) 253-0301.

JN:AB:PH:DC:YP:iw

Attachment

c: Sachi A. Hamai, Chief Executive Officer
Cynthia D. Banks, Director, Community and Senior Services
Public Information Office
Audit Committee

**Community and Senior Services
WIA Contract Reviews – Summary of Questioned Costs and Findings
Fiscal Year 2013-14**

Attachment

#	Service Provider	Contract Amount (Rounded)	# of Recos	Findings										Total Questioned Costs Reported
				A	B	C	D	E	F	G	H	I	J	
1	Antelope Valley Workforce Development Consortium	\$ 1,700,000	6		X	X		X						\$ -
2	Arbor E&T, LLC (ResCare Workforce Services)	\$ 1,870,000	4		X		\$ 900						\$ 1,800	\$ 2,700
3	Asian Youth Center	\$ 480,000	14	X	X	X	\$ 1,114				\$ 453			\$ 1,567
4	Archdiocesan Youth Employment Services of Catholic Charities of Los Angeles, Inc.	\$ 1,000,000	4		X	X	\$ 784							\$ 784
5	City of Palmdale	\$ 730,000	9			X		X	X		(3)			\$ -
6	Community Career Development, Inc.	\$ 2,200,000	9	X	X		\$ 4,457	X					\$ 8,658	\$ 13,115
7	Goodwill Industries of Southern California	\$ 1,350,000	0											\$ -
8	Hub Cities Consortium	\$ 4,000,000	17	X	X	X	\$ 39,149	X	X		(1)	X	\$ 34,440	\$ 73,589
9	Jewish Vocational Service	\$ 2,659,000	15		X	X	\$ 3,655	(3)	X		(1)		\$ 1,287	\$ 4,942
10	Los Angeles County Office of Education	\$ 1,000,000	2										\$ 436	\$ 436
11	Los Angeles Urban League	\$ 1,560,000	13	X		X	\$ 22,892		X	X	(1)		\$ 278,314	\$ 301,206
12	Managed Career Solutions, Inc.	\$ 2,050,000	13	X	X	X	\$ 31,197	(3)	X				\$ 11,514	\$ 42,711
13	Mexican American Opportunity Foundation	\$ 500,000	2		X	X								\$ -
14	Santa Anita Family Service, Inc.	\$ 1,000,000	12	X	X	X	(2)	(3)	X	X	(2)			\$ -
15	Southeast Area Social Services Funding Authority	\$ 3,100,000	2	X	X									\$ -
TOTALS		\$ 25,199,000	122	7	11	10	9	7	6	2	6	1	7	\$ -
				47%	73%	67%	\$ 104,148	47%	40%	13%	\$ 453	7%	\$ 336,449	\$ 441,050

Code Summary

- A Did not maintain adequate documentation to support client eligibility and/or register male clients into selective service within the required timeframe.
- B Did not accurately report client program activities into the system that the State of California Employment Development Department and the Department of Labor use to track Workforce Investment Act (WIA) participant activities, and/or complete the Individual Service Strategy and Individual Employment Plans for WIA Program clients as required.
- C Did not maintain adequate internal controls or comply with WIA and County contract requirements, such as resolving outstanding reconciling items in a timely manner and/or maintaining price quotations to support that expenses were economical, proper, and reasonable to carry out the activities of the Program as required.
- D Billed for unsupported and/or unallowable Fiscal Year (FY) 2013-14 expenditures.
- E Did not prepare their Cost Allocation Plan in accordance with the County contract requirements and/or provide adequate documentation to support their allocations.
- F Did not accurately report monthly accruals to Community and Senior Services (CSS) as required.
- G WIA service provider's audited financial statements disclosed significant cash flow issues or their accounting staff did not have appropriate financial accounting knowledge.
- H Billed for unsupported and/or unallowable FY 2013-14 payroll expenditures.
- I Did not obtain the required criminal clearances of staff.
- J Billed for unsupported and/or unallowable FY 2012-13 close-out expenditures.

Footnote

- (1) The questioned costs were immaterial, or the contractor repaid or credited CSS prior to the issuance of our report.
- (2) We could not determine the total amount of questioned costs due to our inability to validate the accuracy of the amounts allocated and billed to the WIA Programs.
- (3) We recommended the service provider reallocate shared expenditures to all benefited WIA Programs based on an equitable method and repay CSS for any overpaid amounts.